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C O N F I D E N T I A L SANTO DOMINGO 000570

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TAGS: [FAIR](#) [KCOR](#) [EINV](#) [ECON](#) [DR](#)
SUBJECT: DOMINICAN REPUBLIC IS BAD FOR BUSINESS, SAYS
ADVENT INTERNATIONAL

REF: A. 08 SANTO DOMINGO 141
[¶](#)B. 08 SANTO DOMINGO 1456

Classified By: Richard Goughnour, Charge d'Affaires, Reasons 1.4(b), (d)
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[¶](#)1. (C) Summary: Managers from U.S. investment company Advent International told EconOffs that they have faced numerous barriers to their conduct of business since acquiring the airport concessionaire Aerodom Dominicana Siglo XXI in October 2008. Among these is a GODR official who has harassed, threatened and sought bribes from the company. Also, President Fernandez issued a decree directly undercutting Aerodom revenue, in direct violation of the company's concession. As a result of this difficult business environment, the Aerodom CEO told EconOff that Advent plans to turn around the Aerodom asset within five to seven years and has nixed earlier plans to broaden its investments in the Dominican Republic. End Summary.

Never again, says Advent executive

[¶](#)2. (C) The CEO of airport concessionaire Aerodom Dominicana Siglo XXI, a subsidiary of the U.S. investment fund Advent International, told EconOffs that he has become disillusioned with the Dominican Republic as a target for investment. Shortly after Advent purchased Aerodom in October 2008, CEO Rodolfo Salgado told the Ambassador that this would be the first of many Advent investments in the Dominican Republic. Just seven months later, however, Salgado confided to EconOff that Advent would make no further investments in the country and sought to turn around Aerodom within five to seven years. He expressed grave misgivings about a government that succeeds in attracting investment through good public relations, pro-business rhetoric and even signing contracts with favorable terms for investors when in reality the panorama for foreign investors is muddled with corrupt intermediaries and a legal framework that is bent to satisfy the whims of public officials.

[¶](#)3. (C) Salgado echoed a growing refrain that the Embassy is hearing from U.S. investors in the Dominican Republic. "The Dominican Republic needs to realize that it is becoming integrated into the global economy and it needs to start behaving as such," Salgado said. He noted that Advent has been investing in Latin America for over 20 years and has never faced this level of government resistance to the uninhibited operation of its business. Salgado noted two particular issues that the company is facing. One is the

harassment by Andres Van Der Horst, the director of the Airport Department, who has sought to disrupt Aerodom operations in an apparent attempt for personal gains. The other is a presidential decree that directly violates Aerodom's concessionary contract, the terms of which were ratified by the Fernandez government at Advent's request last October.

¶4. (SBU) Aerodom has completed Foreign Commercial Service advocacy forms but has not requested Embassy advocacy as of this time.

Aviation official pressures Aerodom for a bribe

¶5. (C) Aerodom CEO Rodolfo Salgado and Advent executive Luis Solorzano told EconOffs that Van Der Horst has harassed, threatened and even explicitly solicited a bribe from the company. The Airport Department, which manages the state-owned airports not included in the Aerodom concession, has no direct supervisory role over the Aerodom-operated facilities. The only legal relationship between the Airport Department and Aerodom is the fact that Van Der Horst sits on the Airport Commission, the government agency that oversees the concession and is chaired by Secretary of Public Works Victor Diaz Rua.

Salgado noted that although the Airport Commission had not met for five years prior to Advent's purchase of Aerodom in October 2008, it has already met twice since the purchase. The content of the meetings has focused on what Salgado described as Van Der Horst's nitpicky complaints about

out-of-order toilets or damage to a non-essential wall surrounding the perimeter fence at Las Americas International Airport (SDQ) in Santo Domingo.

¶6. (C) These complaints and other similar attacks, contained in what Van Der Horst presented as an official audit of Las Americas operations authored by the Airport Department (even though the Airport Department has no authority or oversight of that airport), gained wide coverage in many Dominican daily newspapers, particularly in late January and early February. At first, Salgado said, he did not understand why Van Der Horst was attacking his firm. Then, Van Der Horst asked Salgado to provide free storage space at the airport for agricultural exporters, a business area where Van Der Horst has personal and family interests. When Salgado refused this request, Van Der Horst escalated the attacks. According to Salgado, General Jaime Osas entered Aerodom executive offices, placed a firearm on a desk and said he had come "to settle a score between you and my boss." Osas served in the military as an at-large general at the time but made clear that he was representing Van Der Horst during that hostile encounter. Advent executives complained vehemently about the incident and Osas was recently retired by President Fernandez. Aerodom has succeeded in calming the media attacks by hiring a media relations specialist to explain the situation to press representatives and correct the claims made by Van Der Horst.

¶7. (C) Salgado also told EconOffs about an incident that took place at a recent gala dinner for the travel industry. Talking over cocktails with a small group of people, including Salgado and Solorzano, Van Der Horst made the comment that "For 5 million pesos (about USD 143,000), I could go away." While Salgado said Van Der Horst's tone was joking, he turned abruptly to face Salgado and Solorzano when he made this comment. Also present at the time were Arturo Villanueva, the Vice President of the National Association of Hotels and Restaurants, and Pablo Lister of the Civil Aviation Board (JAC). Salgado said that although his tone was lighthearted, Van Der Horst's message was clear and pointed.

¶8. (C) In both of their meetings with EconOffs, the Aerodom executives have reiterated their commitment to avoid corrupt practices and assured the Embassy that they would not succumb

to Van Der Horst's solicitations. In addition to discussing this issue with EmbOffs on various occasions, including meetings with EconOffs on February 4 and April 22, Salgado said he has broached this subject with Foreign Minister Carlos Morales Troncoso, Deputy Foreign Minister Jose Manuel Trullols, Dominican Civil Aviation Institute Director (IDAC) Jose Tomas Perez, Defense Minister Pedro Pena Antonio, Public Works Minister Diaz, and members of the JAC. The response from these officials was all similar, Salgado said. Diaz told him, "It's just Andres." Morales said, "That man is corrupt."

¶9. (C) Advent Senior Partner Juan Carlos Torres came to the Dominican Republic on April 23 to meet with President Fernandez. According to Salgado, during the meeting, Torres, Salgado and Aerodom advisor Jose Luis Abraham explained in "polite" terms that they had trouble dealing with Van Der Horst. After the meeting, Abraham, a close associate of Fernandez, remained with the President and told him more details of the Van Der Horst problems. President Fernandez assured Abraham that he would instruct Van Der Horst to back off, and noted that August 16 is typically a day when personnel changes are announced. Salgado was not sure whether President Fernandez was implying that he would remove Van Der Horst in August or whether he would simply use this possibility to exert control over Van Der Horst. Salgado said that, so far, President Fernandez' intervention appears to be helping.

Fernandez ratified Aerodom contract, then violated it

¶10. (SBU) Aerodom also complained of a different, though related, affront on the company's business. In late February, President Fernandez issued a decree eliminating a 4 cent fee charged on air cargo exports of vegetables. This was a recommendation from the national economic summit that

Fernandez held in February to address the global crisis. This fee represents one of the primary revenue generators for Aerodom and is an integral component of the concession contract. Solorzano said that this decree would cost Aerodom millions of dollars per year, cutting profits by as much as 30 percent. Salgado told EconOffs he has spoken with Economy, Planning and Development Minister Temistocles Montas and Customs Director General Miguel Cocco about the decree. They both acknowledged that the decree was illegal, but neither was willing to inform the president that he had made a mistake. Salgado said he was suspicious that Van Der Horst may have had a hand in pushing the decree to the President's desk without a diligent legal review; the decree is very favorable to agricultural exporters.

¶11. (SBU) Salgado said that this decree was the primary reason for Torres' visit and the meeting with President Fernandez. He said that President Fernandez reacted "frankly and openly" when they told him that the decree violated their contract. But Fernandez stopped short of offering to rescind the decree, instead asking Aerodom for help in strategizing a solution that would allow him to "save face." Salgado said that one possibility would be to impose the fee on airlines that carry cargo and let them pass the costs on to the exporters. Fernandez told the Aerodom executives that Montas would contact them about the solution, but Salgado said he is becoming impatient as three weeks have passed without any visible progress.

Comment

¶12. (SBU) The Advent experience is unfortunately typical of foreign investors who arrive in the Dominican Republic enthused by a legal framework that, on paper, appears favorable to business when in reality the investment climate is much less certain. When asked in December about his impression of the new Aerodom management, the general manager

